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SENATE.....No. 6.

To His Excellency MARCUS MORTON,
Governor of the Commonwealth of Massachusetts :

The Bank Commissioners present their Supplemental and final

REPORT :

THE annual report of the Commissioners, made in December last, stated that less progress had been made in the examination of banks the present year, than at the same period in former years, owing to the resignation of one of the board early in the previous October, whose place had then but recently been filled. Nine of the banks, and six of the savings institutions, out of the city of Boston, and all the banks but five, and both the savings institutions within the city, which had not then been visited, (subsequent to the supplemental report of 1842,) have since been visited and examined. And other visits to, and examinations of, banks in other parts of the Commonwealth, which have been examined the present year, but whose condition had required this frequent and particular supervision, have been made with reference to a closing up of the business of the commissioners, as far as that was practicable. To this service, which completes, for the year just closed, the examination of all the banks and savings institutions whose corporate powers are unimpaired, the whole time and the most earnest efforts of the commissioners, who subscribe this report, have been devoted, from the time of rendering the last report to the day when, by the repealing act of the last Legislature, their duties closed.

By the act of February 21st, 1839, the Bank Commissioners were required to visit and examine all those banks whose charters had been, or might hereafter be, annulled or surrendered. Hitherto this duty has been performed, and special reports upon the condition of each in detail have been annually made to the government, in season for any action which the Legislature might desire at the pending session. But none of these institutions have been examined during the present year, and no detailed report of their condition can therefor be now made.

About the middle of January last, the only member of the board who was commissioned at its organization in 1838, and who had since February, 1839, acted as its chairman, resigned his office, the vacancy has not been filled, and the duties which the law of February 23d, 1838, contemplated should be performed by three commissioners, and which, in this quarter of the year, have ever required the entire time and efforts of the whole board, have devolved on two commissioners, with the additional duties consequent upon the repeal of that law, without any provision for the completion of proceedings instituted by them, then in progress, and requiring further and uncertain time to finish.

The performance of all the requirements of the acts of Feb. 23, 1838, and of Feb. 21, 1839, within the time prescribed by the repealing act of the last Legislature, being thus rendered physically impossible, the commissioners have presumed that a discharge of the duties enumerated in the act first named, namely, an examination and report upon the condition of all the banks and savings institutions in full possession of their chartered powers, and more than others liable to be affected by the dangers and vicissitudes of business, would be of greater interest to the public, and to stockholders of banks, than would be a report upon those corporations whose affairs are generally nearly closed, and in the hands of competent receivers, or committees, disposed to give to parties interested all proper information; and they have accordingly given their whole time and labor to the former, to the entire exclusion of the latter. They are enabled to say, however, that excepting the Chelsea, Nahant, Newburyport and Phoenix Banks, all those banks whose

charters had been annulled or surrendered at the time of making the supplemental report in February, 1842, from which any further payment of bills or deposits can reasonably be expected, have now paid nearly all their indebtedness to the public, and continue to redeem their remaining liabilities as heretofore. The amount now outstanding can be hardly more than nominal, and in some cases, where the assets were convertible, dividends have been made to the stockholders. But it is not expected that the Roxbury, Lafayette, Franklin, Commonwealth, Fulton, Nahant and Chelsea Banks, will ever pay the full amount of their liabilities to the public; or that, except the two last named, (for a small dividend each,) any further considerable sum will be realized from their remaining assets.

Of the condition, affairs and prospects of the Newburyport and Phoenix Banks, the commissioners cannot venture an opinion. Heretofore they have hoped with confidence for the ultimate redemption of all their liabilities to the public, if not for the payment of some portion of the stock of each bank. But the embarrassments recently thrown around the receivers, who are believed to have labored faithfully and with success, and the uncertain operation and end of the legal proceedings instituted and contemplated in regard to them, are calculated to depress, perhaps to dispel altogether, the just expectations of the commissioners.

Further developments must take place before any estimate, entitled to confidence, by whomsoever made, can be put upon the value of the liabilities to the public, or the stock of these institutions.

Of the banks and savings institutions visited or examined since the date of the last annual report, (excepting such as have been visited a second time within the year,) no report in detail is necessary. Generally the remarks therein made relative to the other solvent banks in the Commonwealth, apply to these with equal, perhaps greater force.

The character of the loans, the amount of specie funds, (proportionably greater, probably, than elsewhere throughout the country,) and the rates of exchange of the banks in the city of Boston, were never more satisfactory to the commissioners than

at the present moment. Whether the present rates of discount are equally so to those stockholders who are looking to the usual dividends in October next, or whether they indicate a healthy state of the money and business concerns of the State, may well be doubted.

If men in business have no inducements to hire money at the legal rates of interest, it is because the ordinary and requisite profits cannot be realized. Industry will not be employed, because it does not yield the usual or adequate results.

Notwithstanding the abundance of specie funds and the reduced rates of exchange at home, the exchanges with the country at the west and south-west are yet unsettled, and in some cases unimproved: our banks cannot be expected to take paper payable in those remote districts, and a very considerable trade, which a few years ago was much in the hands of men of moderate means, will not, therefore, for them, be soon revived to any great extent.

By making discounts upon the credits of sales made to those sections heretofore, some of our country banks have accumulated a larger amount of suspended, or accommodation paper, than at any previous period, when the general business of the country was active and healthy. The disparity in the condition of the city and such country banks corresponds very nearly with the activity of their respective loans. In some sections of the State, the need of some supervisory power over the banks whose customers have heretofore been engaged in the western trade, and yet depend on its revival for their future prospects, was never more imperative than at the present time.

Some of the banks, by losses made during the past year, added to those of former years, or by the great depreciation of long suspended paper, under the operation of the bankrupt law in the last year, have lost a portion of their capitals, while as yet their liabilities are beyond probable hazard. On such the commissioners have urged the expediency and necessity (enforcing the advice whenever they could do so with a legal process,) of withholding semi-annual or occasional dividends, until the stock should be restored from the earnings of the bank, or the Legislature should have reduced the nominal to the actual

capital, suitable for banking purposes, but generally with but indifferent success. The reputation of the executive officers of banks, and in a less degree of the directors, combine with the interest and expectations, perhaps necessities, of stockholders to induce the payment of periodical dividends, in nearly all cases, where the legal restraints cannot be enforced.

The practice of making illegal dividends, is, in the opinion of the commissioners, one of the most reprehensible which has come under their consideration.

Such dividends are doubtless, sometimes, honestly made, as when the stock is depreciated from a too high valuation of real estate, purchased long since at prices far above the present marketable value, or from a too high estimate of paper past due, which the directors from habit have cause to regard as tolerably good, and ultimately collectable. In such cases, the directors deceive themselves and others, but act in good faith, and when shewn by the commissioners the true character of the act, have generally refrained from making further dividends. This was the case with the Manufacturer's Bank, at Nantucket, in October last; an institution, which, although its capital is somewhat impaired, is managed in this, as well as in other respects, with a commendable faithfulness to the public and the stockholders.

But in most cases no such apology can be offered. When the capital of a bank has become impaired by direct and palpable losses, exhibited to the commissioners and acknowledged by the directors, as has been the case with some banks within the past year, and especially of two of the banks in Taunton, (the Cohannet Bank, in October, and the Taunton Bank, in the present April,) there can be no justification, or excuse, for declaring a dividend. Such an act is a deception; the stockholders are induced to believe there are profits in the bank, because dividends are paid, and the public have increased confidence in the institution in consequence of an act, which, if fully or rightly understood, would deprive it of deposits and circulation.

If a partial division of the stock of a bank is to be allowed in the shape of illegal dividends, what shall prevent it from gra-

dually paying back to the stockholders the *whole* capital, leaving it without the means of redeeming its liabilities to the public ?

The only means heretofore existing, by which such illegal transactions could be detected and arrested, were to be found in the power of the bank commissioners to protect the public interest by injunction. The only safeguard to the public, since the abolition of the commission, is to be looked for in the stockholders' committees, which the Legislature has recently substituted. The efficacy of the substitute may be estimated hereafter far better than now. Meanwhile, it may be safely predicted, that a reluctance to serve on such committees, an ignorance of bank accounts, the opinions and influence of directors, ever anxious to justify their own doings, or omissions, coöperating with the pride and pecuniary interest of the committees as stockholders, will naturally incline them to a favorable view of the capacity of the bank for making dividends, and to adopt the opinions of the executive officers and directors relative to its entire condition. The law defining their duties is not more particular, or more likely to ensure a rigid examination, than is the law requiring annual returns to the governor, to be made and sworn to by directors of banks, after an examination. In a large majority of cases, in practice, these returns are mere statements made by the cashier, the items of which are verified by the directors by a comparison with the ledger balances only, when, if an agreement is found, the statement is sworn to as being correct, "according to their best knowledge and belief," and forwarded to the governor. Yet this statement, or rather transcript from the cashier's books, will be found on a slight analysis, to have not represented the *whole* condition of the bank, or, to have done so, so deceptively, perhaps falsely, as to have effectually concealed from the public eye its real condition. Of all the banks that have been closed by injunction or a voluntary surrender of charter since the bank commission has existed, not one has failed to make such returns to the government within all the expressed requirements of law, as would effectually preclude any inquirer, however intelligent, who relied on the abstracts of these returns, from distinguishing the

very worst from the very soundest banks in the Commonwealth. Such returns elaborately made on the very brink of failure, with scarcely the possibility of paying ten per centum of the capital, often exhibit the most healthy condition, with a very respectable surplus. Will the reports of stockholders' committees, authenticated by the same legal forms, however honestly made, be more satisfactory or useful to the public?

Some misapprehension has existed relative to the power of the commissioners to obtain injunctions against banks. The act, however, creating the board, is sufficiently explicit. The commissioners must be satisfied, first, that the bank has failed to comply with some provision of law, and secondly, that its further progress is hazardous to the community and to those having funds in its custody. When both these contingencies exist, and are represented to a Judge of the Supreme Court in a bill, a temporary injunction will be granted, to be made perpetual, or to be dissolved upon a hearing and examination of the case. But no such power has been given over banks which come within only one of these conditions, or which violate constantly many of the soundest principles of banking, whereby the property of stockholders is endangered, or wasted more or less ruinously. A considerable portion of the stock of a bank, therefore, may be, and generally is, lost before the commissioners are by law allowed to interfere. When that loss becomes so great as to create a reasonable belief that the further progress of the bank is hazardous to the public, or to those having funds in its custody; namely, bill-holders, depositors and public creditors, and if, also, it has violated a law of the Commonwealth, then only can its career be arrested. Could the remonstrances of the commissioners against illegal dividends and some other measures tending to impair the stock of banks, have been enforced by legal penalties, a large number of the country banks whose capitals have been depreciated, would have been restricted in past years, and especially in October last and the present April.

Among the institutions of the Commonwealth, none are more valuable, or whose benefits are more diffused, than the savings institutions. But it is the industrial classes chiefly which avail

themselves of these benefits; and the prosperity of these institutions oscillates with the general employment and prosperity of these classes. Accordingly, throughout the Commonwealth, the proportion of deposits withdrawn to those made during the present year, has been greater generally than heretofore, and the number of depositors less.

This state of things does not appear to result from any want of public confidence in these institutions, but from the depression of the manufacturing sections of the State, and of labor generally, creating a necessity to use the deposits for daily subsistence.

The following table exhibits the number of depositors, the amount of deposits, and of dividends paid on deposits, in the savings banks of this Commonwealth, according to the returns made to the Governors, annually, since 1834 inclusive, when such returns were first required by law, viz:

Date.	No. of Depositors.	Am't of Deposits.	Dividends Paid.
In September, 1834, .	24,256	\$ 3,407,773 90	\$ 138,576 53
In May, 1835, . . .	27,232	3,921,370 83	135,853 39
In October, 1836, . .	29,786	4,374,578 71	166,422 48
In October, 1837, . .	32,564	4,781,426 29	295,225 47
In October, 1838, . .	33,063	4,869,392 59	248,039 07
In October, 1839, . .	36,686	5,608,158 75	216,957 48
In October, 1840, . .	37,470	5,819,553 60	262,001 08
In October, 1841, . .	41,423	6,714,181 94	246,868 59
In October, 1842, . .	42,587	6,900,451 70	282,231 18
		46,396,888 31	1,992,175 27

The amount of deposits on which dividends have been declared, and the amount of dividends paid as exhibited above, show an annual income of nearly $4\frac{1}{2}$ per cent. since 1833. When it is remembered that this period embraces the years 1837 and '38, in the ruinous disasters of which the savings banks had their full share, and which spread around us the ruins of other corporations in nameless variety, the hard earnings of the poor and the ignorant, which were placed in them for safe-keeping, rather than income, have generally not only been scrupulously preserved, but have been made to yield a

profit exceeding that of the average of other investments made in the same period. A single exception to the general character of the investments of savings institutions will be mentioned hereafter.

“The Provident Institution for Savings in the town of Boston” has suffered in its deposits from the causes alluded to. Its investments were never in a more promising condition, and the whole business of the institution continues to be managed with great faithfulness to the depositors. The amount of deposits in the month of February, of each year from 1839 to 1842 inclusive, was given in our last report. The amount of deposits in the institution on the 26th February, 1842, was

\$2,417,414 90

The deposits at the last examination of the Commissioners, made April 20th, 1843, amounted to

2,320,718 15

Showing the deposits withdrawn, over those made in that interval, to the amount of

\$96,696 75

The number of depositors in October, 1842, was 15,123.

“The Suffolk Savings Institution for Seamen and others” has suffered one severe loss during the past year, but its other investments are well made; its condition is prosperous, and there has been an increase of deposits made over those withdrawn since February 24, 1842.

The amount yearly from 1839 to 1842, is stated in our last report; the deposits, as found at the commissioners’ examination made February 24, 1842, amounted to

\$268,665 83

The amount found at the examination made April 19th, 1843, was

280,893 26

Showing an increase of deposits in that interval of

12,227 43

The number of depositors at the last examination was 1,524.

The laws which gave the commissioners power to obtain injunctions upon banks only when the public interest was endangered, conferred full power to arrest the further progress of savings institutions, when any considerable loss occurred that could not be absorbed by withholding dividends for a reasona-

ble period. An injunction, then, became necessary to determine the proportionate loss of each depositor, and to justify the managers in paying out only a just proportion of the available assets. But the commissioners have never been required to exercise this power until recently, in the case of the Taunton Institution for Savings, which was enjoined on the 25th of Feb. last.

On an examination of this institution, the commissioners found Cohannet and Taunton Bank stocks standing on its books at prices above par, although the latter bank had reduced its stock 20 per cent. under an act of the Legislature, and the former had suffered a much greater depreciation by actual losses. It was also ascertained that the institution had bad or doubtful debts to a considerable amount—that these existed when the last two or three dividends were declared, if not long before, and were known to the late treasurer—that not only dividends, but an extra dividend of interest, had been paid, and an extraordinary allowance voted to the said treasurer for making said dividend, at a time, too, when the bad debts greatly exceeded even the nominal profits of the institution, and when its means were altogether insufficient to pay its depositors.

The commissioners feel it their duty to say, that the late board of directors confided too implicitly in their treasurer, and left the management of the institution almost solely in his hands. Its disastrous condition is attributable, therefore, scarcely less to their neglect and remissness than to his misconduct or want of judgment.

The commissioners having become satisfied that from various causes a loss of at least 20 per cent. of the whole amount of deposits had been sustained, and that therefore all the depositors could not be paid in full, applied to one of the Justices of the Supreme Court for a writ of injunction, to restrain the institution from paying out more than 50 per centum to any of its depositors, until the further order of said court. This was accordingly granted, and the depositors were thus secured an equal distribution of the assets of the institution, in which they had been so unfortunate as to place their funds. But recent events lead the commissioners to fear that the good they had

designed will be but partially attained. The law under which that injunction was obtained having been repealed without any of the usual saving clauses, to protect those cases where proceedings had been commenced; and the law giving to the Governor power to appoint special commissioners, in certain cases, not extending to savings banks, and there being no power of injunction expressly given over savings banks, except in the law creating the bank commission, there is reason to fear that irregular and unequal payments may be compelled by the more active and less scrupulous depositor, and thus the ends of justice be defeated. But whatever sufferings may ensue, and however disastrous may be the results, the commissioners feel that nothing which they have done, or omitted to do, could have averted the unfortunate consequences.

Upon an examination of the affairs of the Cohannet Bank, of Taunton, made by the commissioners on the 1st February last, its condition was found to be such, that, in their opinion, it could no longer, with safety to the public or profit to its stockholders, continue its business.

The directors were therefore required to make immediate provision for the redemption of its bills, and the payment of its deposits. This requisition was speedily complied with, and the commissioners were assured that the charter should be surrendered, so soon as the stockholders could hold a legal meeting for that purpose. The necessity therefor for an injunction, which at one time seemed inevitable, was happily removed by the timely and laudable exertions of the directors.

Subsequently, at a meeting of the stockholders, it was voted to surrender their charter to the Legislature, then in session, but that body declined to accept it. And since then, the stockholders have relinquished their charter to the bank commissioners. A committee appointed to close the affairs of the bank having applied to the commissioners for a certificate that the liabilities of the bank to the public were fully provided for, an examination was accordingly made by the commissioners, and the certificate as desired has been granted.

The Cohannet Bank, is now, consequently, winding up its concerns, under the direction of an efficient committee.

One cause of recent embarrassment to the Cohannet Bank may be found in the failure of the Taunton Iron Company, in the autumn of 1842.

But its condition has been the source of unusual apprehension to the commissioners, since the examination by the board in June last. Its affairs have been for some time injudiciously managed; the directors have not given that attention to their duties which the public and the stockholders had a right to expect from them, when they accepted the trust. The cashier being also a director, possessed a power and influence which do not properly pertain to that office in any bank. Injudicious loans to companies, loans to firms and to individuals, on insufficient security,—inexcusable delays in closing up debts long since due,—deceptive statements of the condition of the bank, misrepresentations of the nature of its assets, made annually to the government, and the payment of dividends illegally declared out of the capital instead of the profits,—were among the consequences which resulted from this culpable neglect on the part of the directors, and the exercise of improper power on the part of the cashier. Another and inevitable result will be, a loss to the stockholders of the greater part of the capital stock of the Cohannet Bank.

In August last, two of the commissioners visited and examined the Citizens Bank of Nantucket. A large indebtedness, amounting to nearly the capital of the bank, namely, \$100,000, was found to exist against two of the directors, some part of which had been in the bank for a long time, in some form or other, and a great part was originally founded in business transactions. Collateral security in ships at sea, and stock of the bank to the amount of about \$60,000, had been taken from one of them, but the greater security was in the mutual endorsement of all this paper, and the strength of the party who had given no security. All our inquiries on the island resulted in the belief, that as the debt then was, the bank was secure of ultimate payment. But both the parties were largely concerned in the whaling business, the depression of which began to be severely felt, and the commissioners, unwilling to trust to further

changes, obtained an increase of collateral security for the debt,—

On ships at sea, valued at cost, or known earnings,	\$40,000
On stock of the bank, valued at par,	19,000
And before leaving the island, or subsequently, a further security of ,	11,000
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	\$70,000

Making an aggregate of collateral security, according to the best estimate they could obtain of \$130,000, or estimating the bank stock at 50 per cent. of \$120,000.

Probably, then, as this property was insured, the debt was secure, irrespective of the names of the parties. The liabilities of the bank to the public were small, and assurance was given to the commissioners that they should not be increased. In January last, one of the said directors failed. Soon after which it came to our knowledge, that with the consent of the other directors, the solvent debtor, upon increasing the collateral security by about \$12,400, had been released from his indebtedness as endorser, on the debt above stated, to the amount of about \$60,000. A writ of injunction was immediately applied for, but the bank having subsequently secured in Boston the redemption of nearly all its liabilities abroad, and agreed to surrender its charter, legal proceedings were stayed.

The present commissioners visited the bank again on the 7th instant, and having discovered some other irregularities, done since the stockholders had surrendered the charter by oath, caused the writ of injunction to be served. A considerable part of the public liabilities has since been paid, and full provision made for the redemption of the remainder, chiefly through the private credit of the directors, and at their urgent solicitation, the commissioners requested the court to dissolve the injunction, which they consented to do. This payment and security was not consummated until after the board had ceased to exist, and therefore the certificate required to close the bank, under the stockholders' vote, has not been given.

This bank will pay, besides its public liabilities, quite a large dividend to its stockholders, if closed within a reasonable period.

The Pacific Bank, of Nantucket, was also visited and examined in August, 1842. This bank had for several years made nearly all the discounts for the island, of paper payable abroad, which on an average constituted more than half of its loan. Up to 1837, the late president had been the cashier; and on being elected to the presidency, retained the management and collection of paper discounted and payable abroad, for which, and his other services as president, he received a salary annually. Reposing unlimited confidence in his integrity, and personal skill in monied transactions, the directors relaxed, if they ever had, much supervision of the business of the bank; and the president gradually came to possess an exclusive control over its assets and operations, scarcely questioned even by the cashier. The bank's *apparent* prosperity exceeded that of either of its neighbors, and its credit at home and abroad was undoubted.

It needs hardly to be added, that this officer was a large debtor of the bank; but to a considerable extent it was on business paper, having other names of abundant strength, and was within the reputed means of the debtor, if there were no other dependence. But on the examination, it was found impossible to verify that part of the loan which was in his charge. The paper payable abroad had been, as discounted, (and most of the discounts were made by the president,) forwarded to the collecting banks, in Boston and New York, and charged to the accounts of such books *as cash*. And if subsequently, any pieces were withdrawn, or protested, they were credited to the same account. The usual modes of verifying bank accounts would not, therefore, avail in this case, and the result of repeated trials, was a full conviction, not only that the ledger accounts with these banks could not be verified at all, but that great irregularities, involving a deficit in both accounts existed. In a long and laborious investigation it was made clear, that in both cases the funds of the bank had been treated as his own private property, without the knowledge of the directors,

and without leaving any evidence of such use in the bank. But the amount so appropriated could not then be ascertained by the commissioners. Collateral security consisting of various kinds of property, valued, at the market rates, at from 210 to \$215,000, was required and obtained by the commissioners, to apply to and cover all and every liability of the president and the bank, with full powers of attorney from him to the cashier to receive, collect and apply the same or the proceeds to the exclusive use of the bank. The papers were delivered to the cashier as a special trust. Directions were given for the immediate closing of the foreign collection bank accounts, and that the business of the bank, except as to these two accounts, should be conducted by the other officers.

The amount of the deficit, as finally ascertained, is \$96,745 68 and the entire indebtedness of the late president, (including this sum,) according to the examination of his account in April, is \$185,424 43, all of which is secured as above mentioned.

The present commissioners on the 10th inst., preparatory to resigning their charge of the banks, again visited and fully examined this bank, and all the securities taken in August last and other securities since exchanged or taken by the directors, and have, in company with the directors, made a re-valuation of them, and of all the assets of the bank; and have also reviewed the entire liabilities of the late president to the bank, and of the bank to the public, and are of opinion that the securities are well taken, and will cover all the late president's debts not otherwise well protected; and that all the liabilities of the bank to the public will, in any event, be met on demand at its counter or in Boston. At the suggestion of the commissioners several new accounts were opened on the ledger, in their presence, the manner of keeping the collection bank accounts corrected, and new books, necessary to a full and comprehensive statement of the condition of the bank, recommended to be kept hereafter.

It is but just to the directors to say, that since the misconduct of the late president has been fully understood by them, not as a board merely, but as individuals, they have done

much to redeem their past neglect; and that they are now giving their energies, and show a willingness to apply their means (than which, those of no equal number of men on the island are believed to be more ample) to the work of securing and protecting the stockholders and of restoring the bank to its former credit and influence, with a self-devotion and earnestness that must command the gratitude of the stockholders, and which the public will not fail to appreciate. Frederick W. Mitchell, Esq., is now the president of the institution.

The commissioners have frequently visited the Millbury Bank, or had statements of its condition from the cashier for several years past. It has not been in a prosperous condition since the commission has existed; but its liabilities to the public have always been kept within its active available resources. Considerable losses having been sustained, the stockholders, in October, 1841, agreed to pay into the bank an assessment of 25 per cent. on their shares on certain terms. About one half of the assessment was paid in, as agreed, but a portion of the stockholders neglecting or refusing to pay their proportion, the arrangement was annulled as to all parties, at a meeting held on the 14th instant; and the directors were instructed to surrender the charter to the next Legislature, unless the stockholders, at their annual meeting in October next, shall otherwise determine. It is not to be supposed that after the return of the assessment, and in view of the depression of business in the neighborhood, and along the Blackstone river, where the bank has had, and must continue to derive its support, (if support it can have,) the stockholders in October would not give a hearty confirmation of the vote of the meeting just held.

Several other banks in different parts of the Commonwealth have suffered losses, and are so situated, otherwise, as to be unable to sustain themselves in the present depression of business and to pay the expected dividends, but which have been allowed by the commissioners to continue on, within certain prescribed limits, as to circulation and deposits. Generally, the sooner the stockholders surrender the charter of such banks the larger will be their stock dividends, and the better will it

be for those who are responsible for their management. While operating within those limits, the stockholders only had interests, and these were not cognizable by the commissioners except indirectly. Should a favorable opinion of the operations of the present Board hereafter lead to a reorganization of it, power to arrest the progress of banks for breaches of law, or of settled banking usages whereby the public interests or the capital stock may be endangered or impaired, should be fully and distinctly given. Such a power would be far less likely to be abused, by its excessive exercise, than to come short of that which would most subserve the public interest.

It is known to the commissioners, that the stockholders of the Village Bank, in Danvers, at a recent meeting called for that purpose, voted to surrender their charter, but no application has been made to the commissioners for the certificate required by law to enable them to do so. It is understood that some misunderstanding among the stockholders has delayed any further action in the matter.

Since the bank commission was organized, in April, 1838 ten of the banks have closed their concerns under its direction, without any compulsory process, and without any loss to the public, directly or indirectly, leaving in each case considerable, and in some cases, large dividends to the stockholders.

The capital of these banks, inclusive of the Millbury and Village Banks, (the public liabilities of which are beyond probable danger) is \$2,470,000. Eight other banks having a capital of \$1,100,000 have been closed by injunction, in four of which, no loss has, or will be sustained by the public. All the bills and deposits being redeemed or fully secured in Boston, except a depreciation of the bills and deposits of the Middling Interest Bank, by speculation, all of which have been or will be redeemed in full at the bank. One was closed before going into operation at all, and of the remaining three, the Roxbury Bank had made its fraudulent issues before the Board came into existence, and was arrested among its first acts, leaving between 40 and \$50,000 of its bills, (supposed to be in the hands of its managers, in some remote part of the country,) yet unredeemed; and the Newburyport and

Phoenix Bank, of whose assets and liabilities—between the embarrassments and delays caused by the various suits in law and equity, of the creditors, and the skill of their fraudulent debtors—the commissioners can form no opinion at present.

The whole of the public loss then, from bank failures, which is ascertained, or which can be estimated in numbers, since the organization of the Board, is from the fraudulent issues of the Roxbury Bank, made before its condition could be ascertained. Of course this statement does not embrace the losses of stockholders, whose special interests are, as stated, beyond the control of the commissioners.

The commissioners have avoided the use of coercive means in closing up banks, when such a course was deemed safe or other means were effectual.

The great depreciation in its assets, when so discredited, especially of its debts, when no visible property exists for satisfying them; with the bankrupt and insolvent laws at hand to aid, together with the eager speculation in its liabilities, deprives an enjoined institution of all the most efficient advantages for realizing the true value of its otherwise available property. The more quiet and unexpensive way of causing banks first to redeem their circulation and deposits, until their specie funds are absorbed, and then securing the redemption of the remainder in Boston from the loan or otherwise, and finally presenting to the stockholders, through their officers, the question of a surrender of their corporate powers, (upon a valuation of the available assets of the bank, and the character and prospects of its business,) has been preferred by the commissioners, and the success has fully warranted the preference. Perhaps a more boisterous discharge of duty would have stricken the popular mind more imposingly for the efficiency of the Board.

In 1837, the banking capital of the Commonwealth, then at its highest point, was, accord-

ing to the acts of incorporation in full force, \$40,380,000

But some of the charters had not been taken up,

and the capital organized and in operation was 38,280,000

In January, 1843, the amount of capital of 105 banks, being the whole number then in operation, was	31,390,000
Since which time, it has been further reduced, by the injunction of the Citizens' Bank, Nantucket,	\$100,000
And the surrender of the charters of the Cobannet Bank, of Taunton,	200,000
Village Bank, of Danvers, (not yet accepted,)	120,000
And Millbury Bank, (to take effect next winter,)	100,000
	<hr/> 520,000

Leaving the active bank capital at this date, . . . \$30,870,000

Of which, a very considerable amount should be yet reduced before the banking capital of the Commonwealth can be considered sound and equal to other cash property.

The amount of decrease of bank capital for the year ending in January, was \$1,550,000. The decrease, as above stated, since then to April 22, 1843, is \$520,000, making an aggregate of \$2,070,000.

It has been the constant desire and aim of the commissioners to reduce the banking capital of the Commonwealth, as represented in the acts of incorporation, within that which is actual and available. That capital is the chief basis of the currency, and should be of value equal to specie. In so far as it departs from this standard, the promises of banks resting upon it are liable to depreciation, and the currency may become incon-vertible. Special privileges of banks are given on the assumption that their capital will always be of this standard value, and that bank circulation is necessarily, not contingently, convertible. Whenever it is of a less value, to any considerable extent, the bank ceases, so far, to possess a sure guaranty of its engagements, and its business descends, more or less, to a mere brokerage.

Whenever, therefore, the commissioners have found banks of

over \$100,000 capital, a considerable part of which was suspended or inanimate, in locations requiring bank facilities, they have advised an early application to the Legislature to authorize its reduction to that which would be bona-fide and immediately available.

A large amount of nominal capital has thus been set aside in past years, and with it the temptation to make excessive issues and to do various other illegal acts.

In consequence of recent large importations of specie, the commissioners thought it might be interesting to know the ratio which the specie of the banks in this State bears to the circulation, and also to the circulation and deposits.

They therefore annex a table which includes the number of banks in operation in each year, from 1820 to the present time. From this table it will be perceived, that the specie is greater now, in proportion to the circulation and deposits, than it has been since 1820; and, by an examination of tables made prior to that time, it is found to be greater than at any former period since 1815—although it will also be seen that the ratio of specie to circulation alone, was greater in 1821 than at this time. It should be remarked, that the ratio of specie to circulation, in the present month, as stated, is only an approximation to the exact ratio; but it is believed that the proportion of specie to circulation, and to circulation and deposits, would be greater, rather than less, if accurately ascertained.

The specie in the banks in Boston on the 22d inst. as ascertained by the bank commissioners, amounted to \$5,100,131 97 in the same banks last October, it was only \$2,081,388 99, showing an increase, principally from England, of \$3,018,742 98.

Taking the circulation and deposits of all the banks in the State, and the specie of all the banks out of Boston, as reported last October, and reckoning the specie as now found in the Boston banks, will give the present ratio of specie to circulation, namely, as 1 to 1.41; and the ratio of specie to circulation and deposits, namely, as 1 to 2.72: whereas, in October last, the ratio of specie to circulation was as 1 to 3.00, and the ratio of specie to circulation and deposits as 1 to 5.74.

The commissioners might have furnished a table of the ratio

of specie to the circulation of the Boston banks, and also a table of the ratio of specie to the circulation of the country banks; but they preferred to embrace all the banks of the state in one table, inasmuch as the banks out of Boston have large specie balances lying in the Boston banks, for the redemption of their liabilities, and therefore have less specie on hand—keeping, in fact, their specie in Boston, rather than in their own vaults, and returning the same to the Governor, as “balances due from banks.”

The influx of specie from abroad, since the last annual report of the commissioners, has been greater, it is believed, than during the same period in any former year. Even while engaged in drawing up this report, the steamer from England is reported to have arrived, bringing two millions more—a portion of which, it is reasonable to suppose, will be added to the amount already held by the Boston banks.

Now, whatever may be the cause, or causes, of this accumulation of the precious metals—whether a comparative increase of exports and decrease of imports, or an unprecedented low rate of exchange at the South, which induced heavy operations in bills and consequent importations of specie—or whether it be, what is most likely, the result of all these and other causes combined,—the *effects* cannot be unperceived or mistaken.

This surplus of capital has also been negatively increased by a diminution of the wants of the trading community. Prices being greatly reduced, less money is required to purchase the necessaries or luxuries of life. Business being depressed, those commodities only are bought and sold which are the legitimate objects of trade.

All these causes have tended to reduce the value of money below what it has been in this country since the year 1825.—Discounts have been made as low as $4\frac{1}{2}$ per cent. per annum; and the banks, for some time past, have freely discounted, when opportunities offered, at 5 per cent. Not much business paper is to be had, even at these low rates; for one or more of the New York banks, in consequence of the superabundance of capital in that city, have sent agents here to effect loans at $4\frac{1}{2}$ per cent. per annum. The banks have, therefore, not only done less business this year, but a less profitable business in propor-

tion to what they have done, as compared with former years. Under these circumstances, if they remain faithful to the public, and rest content with small dividends or none at all, they will deserve the highest praise, But is this to be expected?—

Is it not to be feared that some may be tempted to speculate in stocks, or engage in other operations not strictly within the limits of fair banking transactions, when they cannot loan their money, and when, too, the restraints to which they have been for some time accustomed, shall have been withdrawn?

W. LOVERING,

J. WILLIAMS,

Bank Commissioners.

Boston, *April 28*, 1843.

A TABLE shewing the ratio of Specie to the Bills in Circulation, and to the sum of the Circulation and Deposits, in all the Banks in Massachusetts, from 1820 to April 22d, 1843, inclusive.

Date.	Number of Banks.	Ratio of Specie to Circulation.	Ratio of Specie to Circulation and Deposits.
1820	28	1 to 2.04	1 to 4.52
1821	28	1 to 0.98	1 to 3.10
1822	33	1 to 3.31	1 to 6.72
1823	34	1 to 3.02	1 to 6.04
1824	37	1 to 1.98	1 to 4.68
1825	41	1 to 5.76	1 to 8.29
1826	55	1 to 4.83	1 to 6.82
1827	60	1 to 4.54	1 to 6.58
1828	61	1 to 6.36	1 to 8.34
1829	66	1 to 4.81	1 to 7.38
1830	63	1 to 4.07	1 to 6.90
1831	70	1 to 8.41	1 to 13.19
1832	83	1 to 7.89	1 to 11.15
1833	102	1 to 8.55	1 to 12.57
1834	103	1 to 6.59	1 to 10.82
1835	105	1 to 8.29	1 to 13.06
1836	117	1 to 7.48	1 to 13.52
1837	129	1 to 6.76	1 to 12.34
1838	120	1 to 3.92	1 to 6.90
1839	116	1 to 4.28	1 to 7.94
1840	115	1 to 3.06	1 to 5.90
1841	111	1 to 3.06	1 to 5.80
1842	105	1 to 3.00	1 to 5.74
1843	104	1 to 1.41	1 to 2.72





